Progress
Investor Day

Financial Overview & Outlook

Anthony Folger

EVP, Chief Financial Officer

April 4, 2023

People. Proven. Progress.

Our Value Proposition

Total Growth Strategy Pillars

1. Invest and Innovate
2. Acquire and Integrate
3. Drive Customer Success

- Invest in employees to drive the right culture
- Scale our highly efficient operating platform
- Display discipline around our acquisition strategy
- Focus capital allocation strategy on cash-based returns and ROIC
- Invest in R&D to drive innovation

Track Record of Delivering Strong Results

5 YEARS
FY '18 – FY '23E

Revenue CAGR 12.5%	**Operating Income CAGR** 14.4%
Adj UFCF CAGR 12.0%	**EPS CAGR** 13.5%

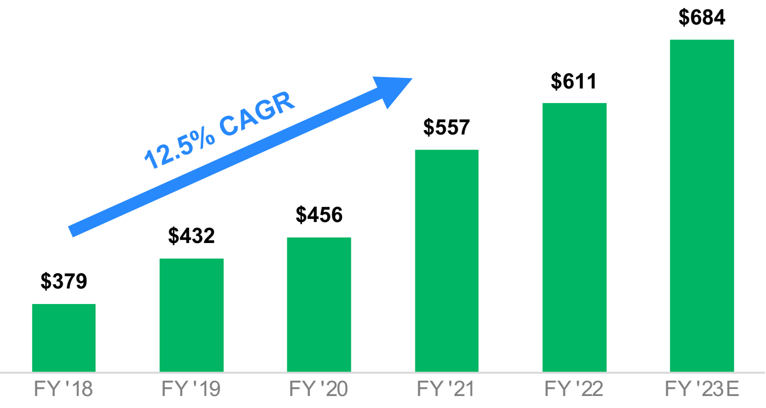
Commitment to our Total Growth Strategy

- High customer retention rates and ~80% recurring revenue
- Industry-leading employee retention
- Strong, steady unlevered free cash flow (UFCF)
- Best in class operating margins
- Modest net leverage and a strong balance sheet
- Prudent capital allocation: Accretive M&A supplemented with share buybacks and dividends
- Proven ability to drive ROIC
- Compounding base of experience, knowledge and success in acquisitions and integration

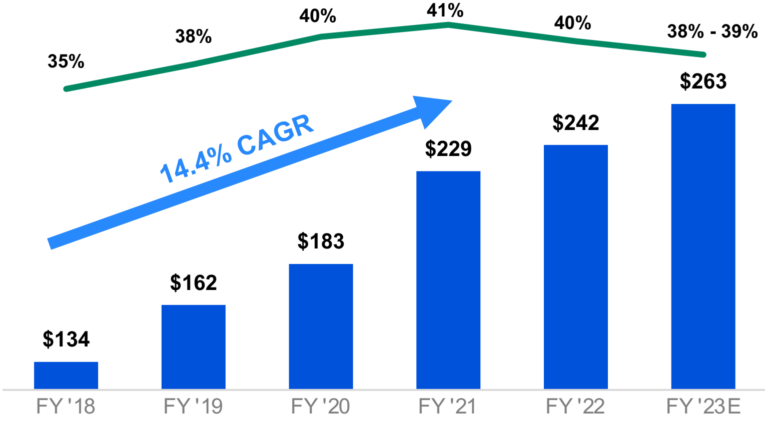
All financial results shown are on a non-GAAP basis

Track Record of Delivering Strong Results

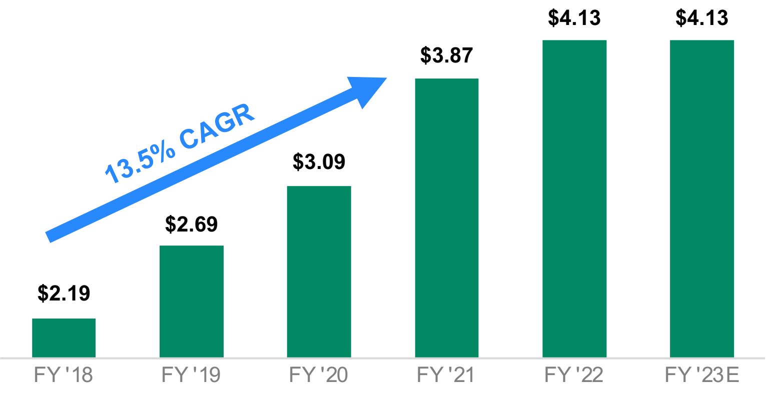
Revenue



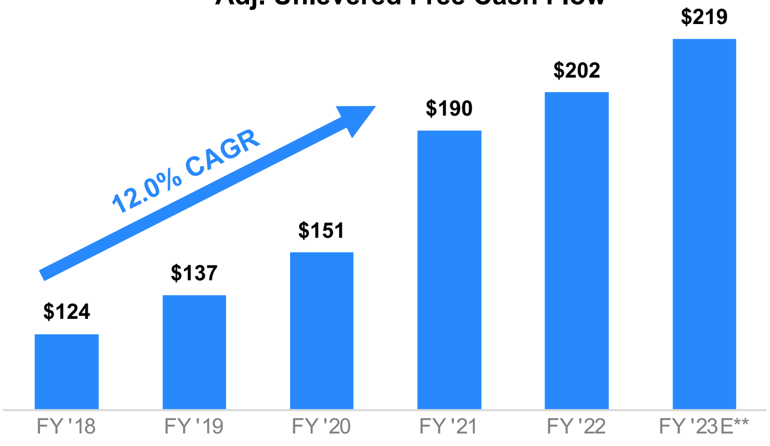
Operating Income and Margin



Earnings Per Share



Adj. Unlevered Free Cash Flow



All financial results shown are on a non-GAAP basis.
Revenue, Operating Income and UFCF in US$ in Millions.
Mid-point of guidance as of March 28, 2023.

** **Note:** FY '23 Adj Unlevered Free Cash Flow normalized $15.2M related to impact of Section 174 of the U.S. Tax Code. Tax-effected interest expense was also added back to our reported and guided free cash flow.

Progress

Consistent ARR Growth & NRR 100+%

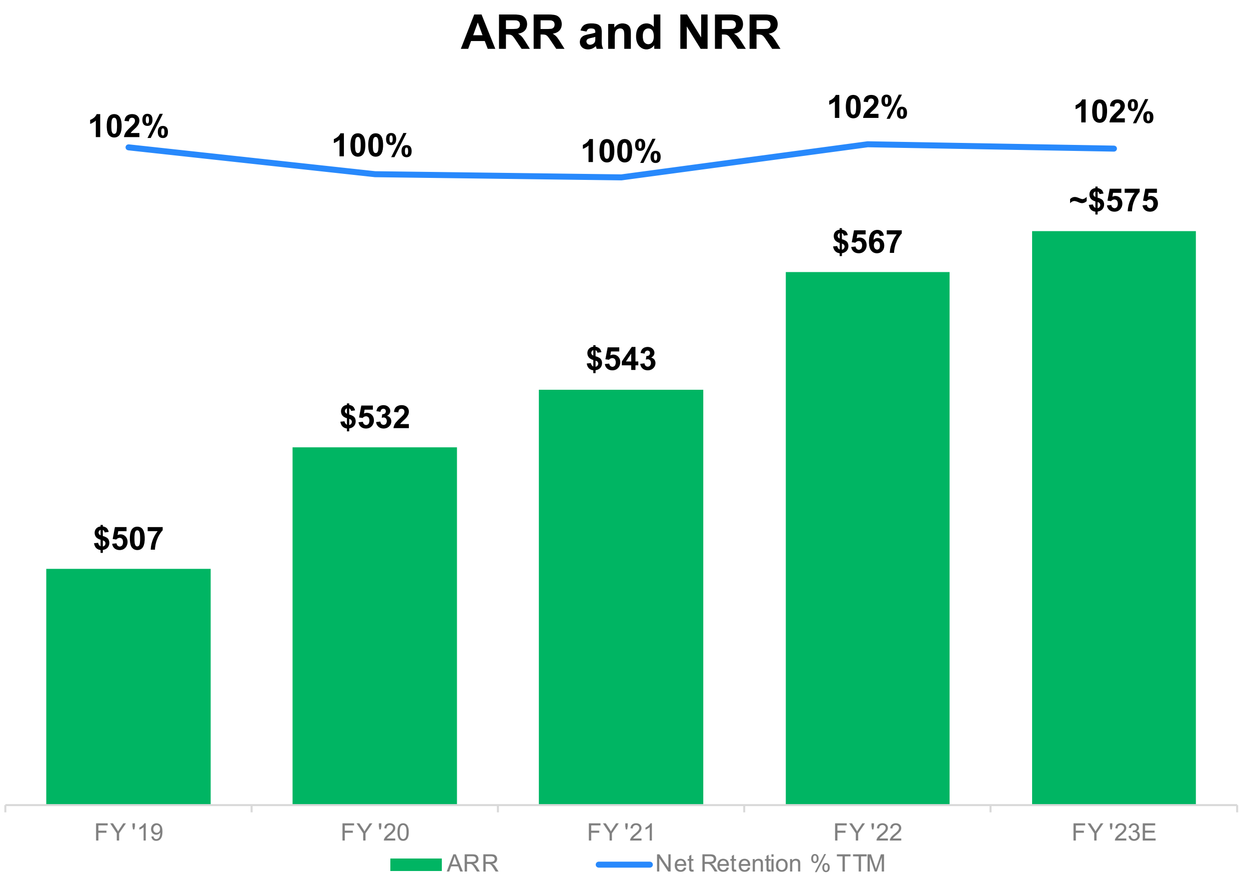
High Mix of Recurring Revenue

Continuous ARR Growth
~80%
of Total Revenue

ARR 4-Year CAGR (Pro Forma)
3.2%

NRR Consistently at or Above
100%

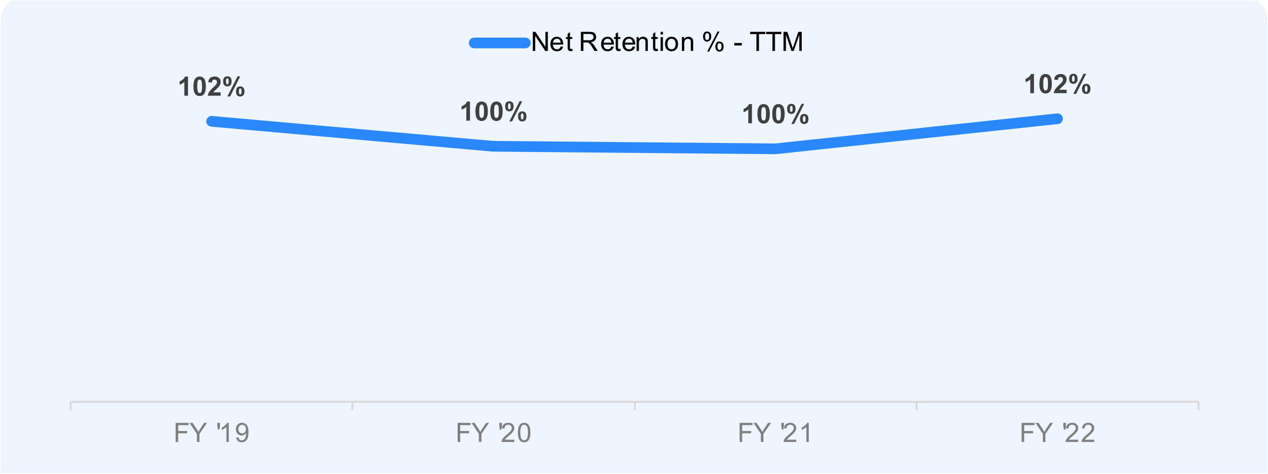
R&D Drives Strong Retention
~17%
R&D in FY22

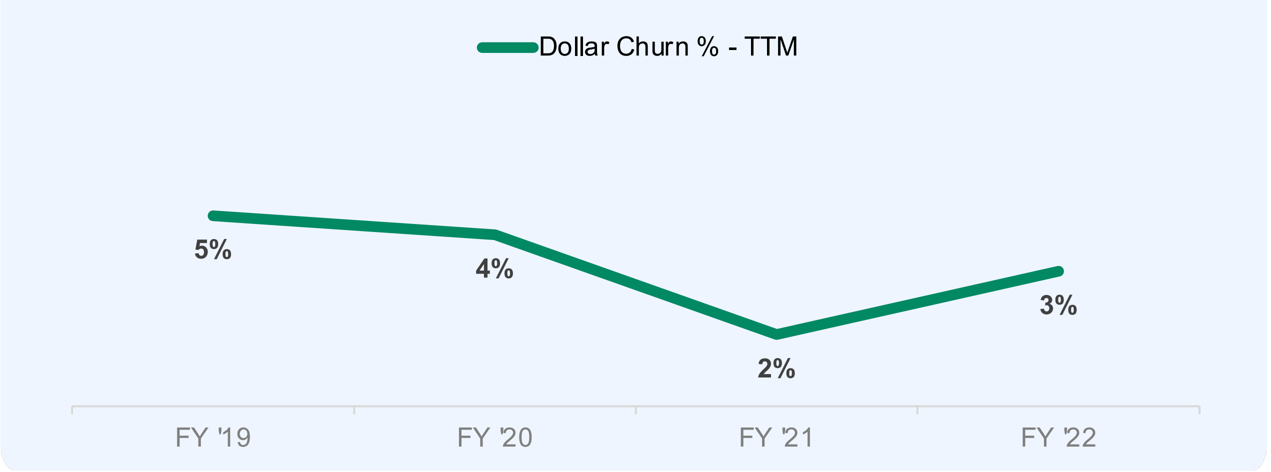


US$ in Millions. Progress Fiscal Year ending November 30.
All periods reported in constant currency, using current year budgeted exchange rates.
All financial results shown are on a non-GAAP basis.

Strong Net Retention Driven by Low Churn

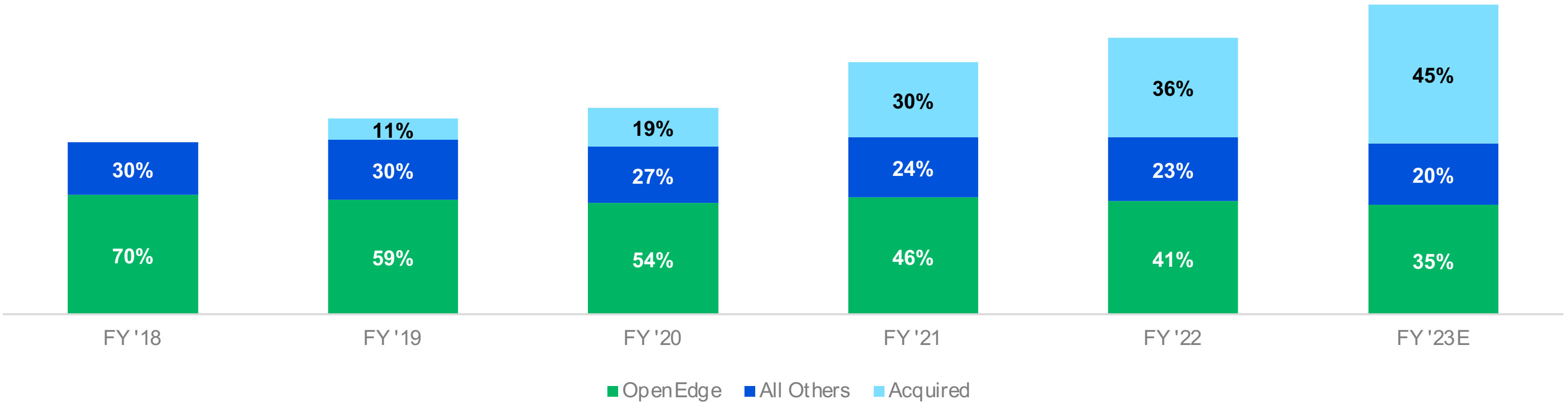
- Consistently low churn even during economic downturns
- Improving churn and customer expansion driven by R&D investment and customer success



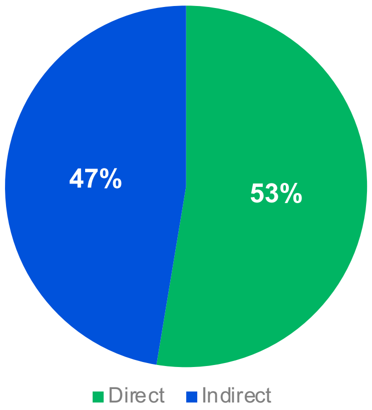


Positive Trends and Well Diversified

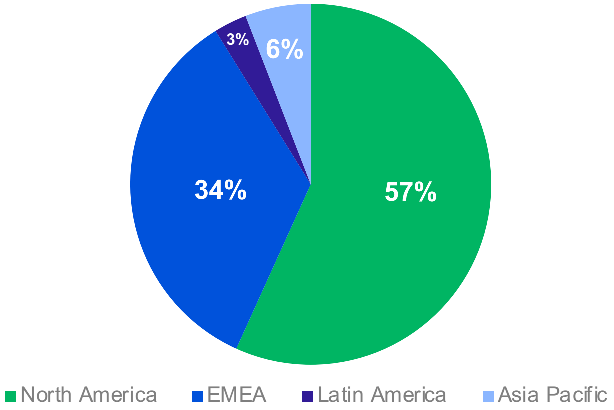
Revenue Mix by Product



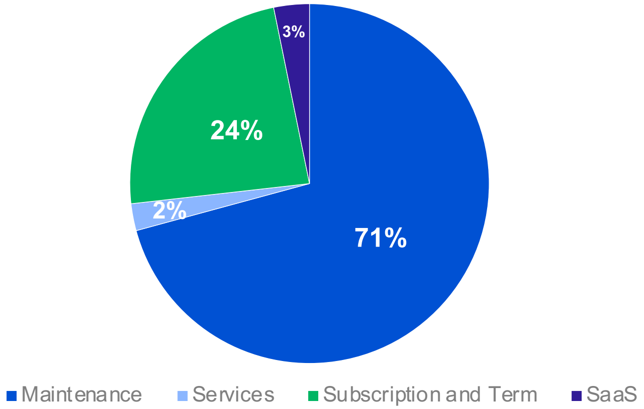
Revenue Mix by Channel



Revenue Mix by Geography



ARR Mix by Type



All financial results shown are on a non-GAAP basis.

Prudent Approach to Capital Allocation

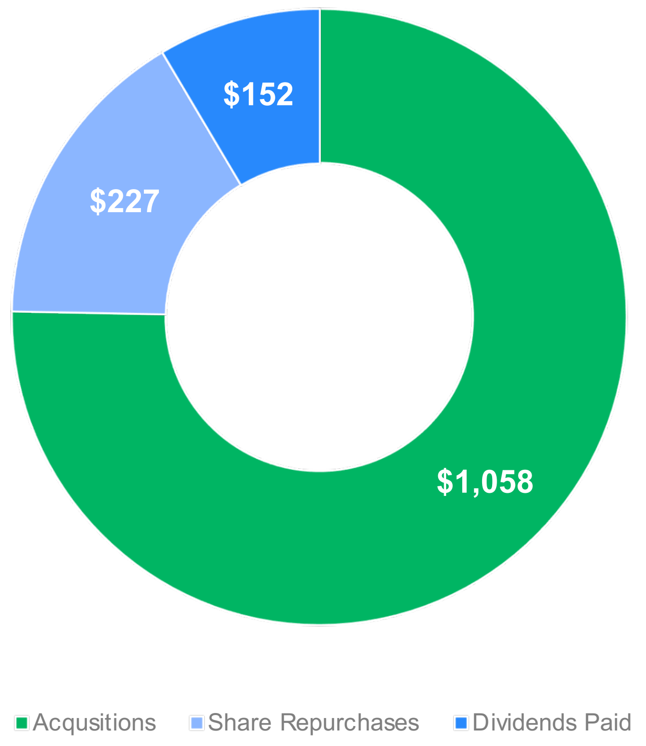
Capital Allocation Priorities

1. Accretive M&A that meets our disciplined criteria (ROIC>WACC)
2. Disciplined approach to share repurchases
3. Rapid debt repayment
4. Dividends, to the extent not constraining higher return uses of capital such as M&A

Current Repurchase Authorization Remaining $213M

Capital Allocation FY '19 – FY '23

($ Millions)



Acquisition & Integration Playbook

Target 40+% margin within 12-months of close through cost synergies

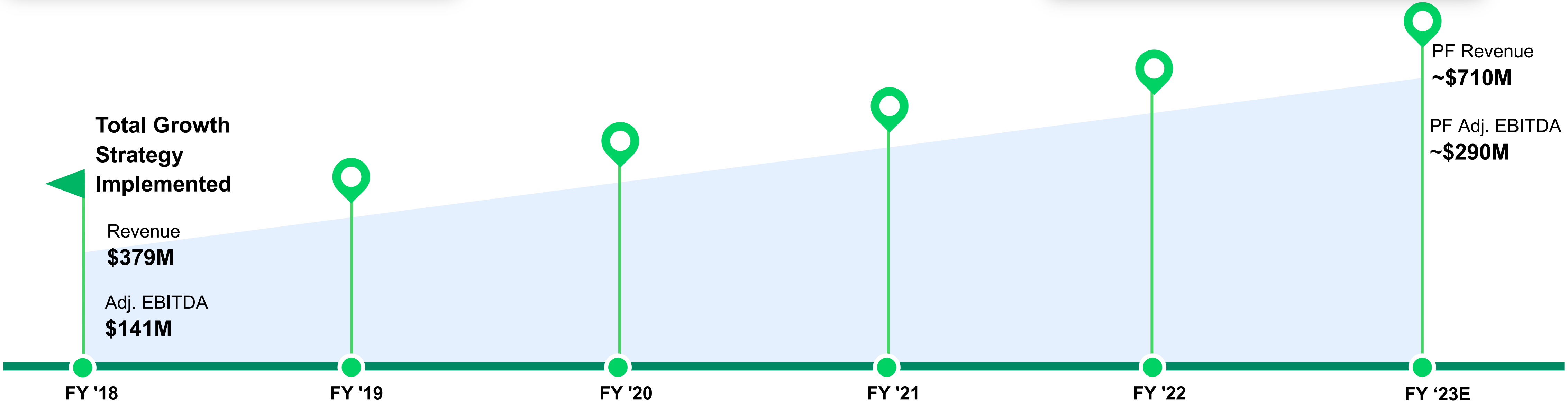
- Communicate intentions to employees as soon as possible
- Rationalize senior management, back office, G&A, systems
- Right-size real estate
- Retain key employees across the business
- Integrate GTM, customer support, product development and back-office functions to Progress operating platform
- Leverage lower-cost locations
- Assimilate acquired team members to Progress culture through a welcoming, communicative process

M&A Track Record

- Ipswitch $225M
- Chef $220M
- Kemp $258M
- MarkLogic $355M

Capital Deployed $1.058 B

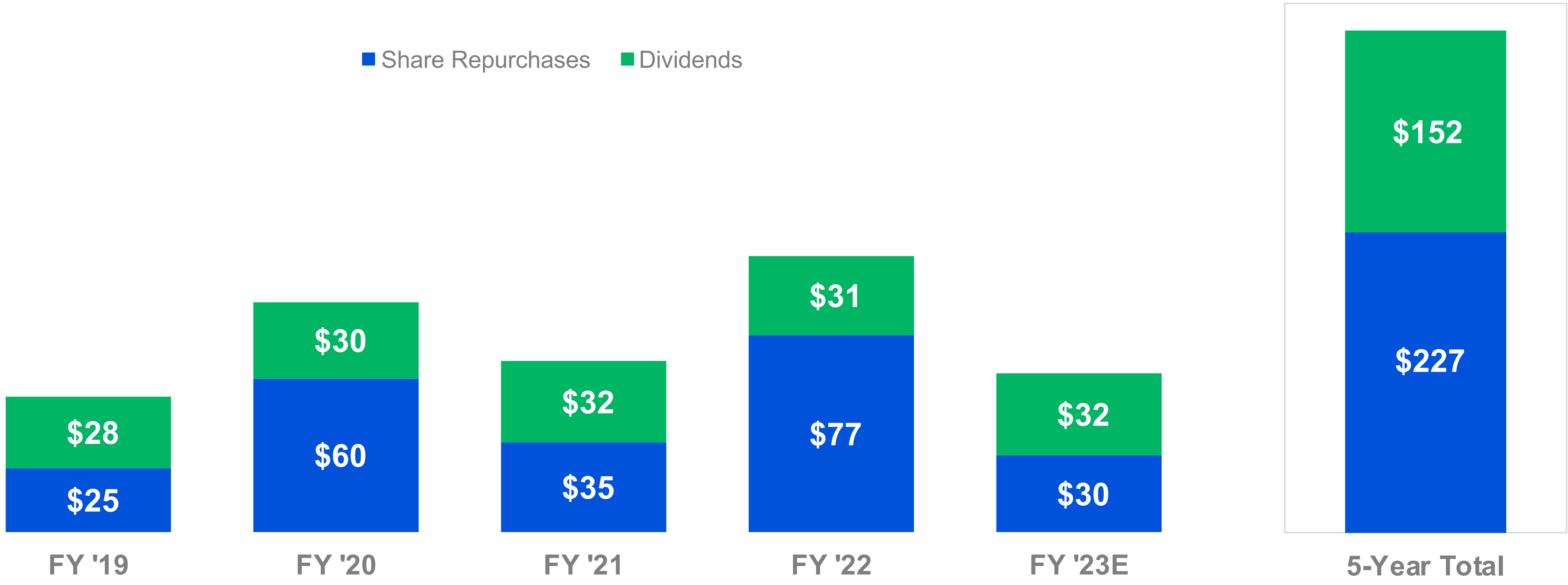
- ~**$330M** in Revenue
- ~**3X** Revenue
- **$149M** Incremental EBITDA
- **~7X** PF EBITDA
- ~ 12% - 14% ROIC
- <9% WACC



All financial results shown are on a non-GAAP basis.

Progress

Returning Capital to Shareholders



$227M in repurchases including remaining forecasted in FY '23
Average price on executed repurchases of $43.35/share

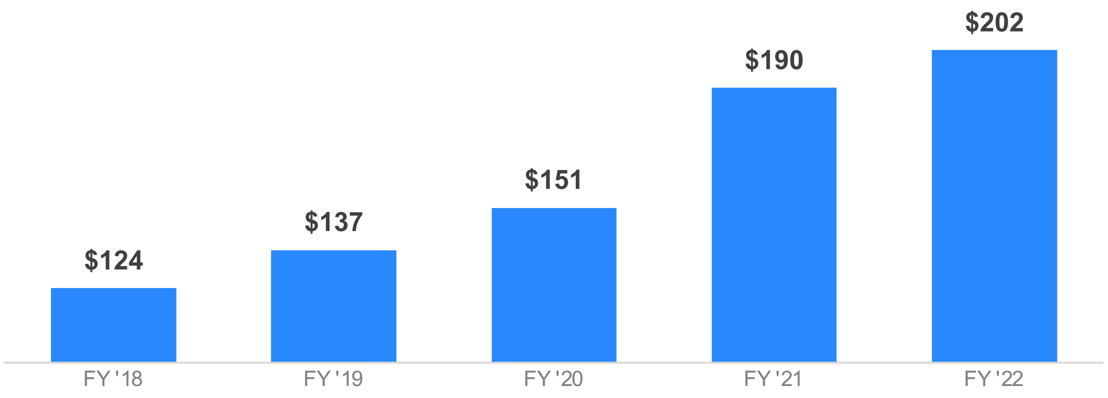
Cash Flow and Debt Profile

Cash Flow

Cash (USD$M) (a/o 2/28/23)	
Total Cash	$123M

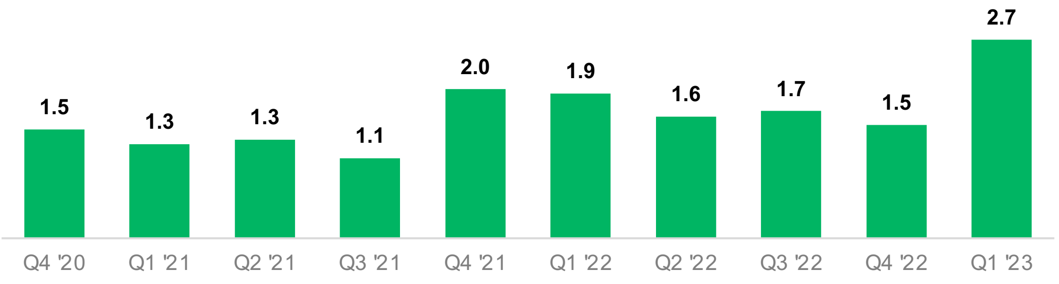
FY '22 Cash Flow (USD$M)	
Operating Cash Flows	$192M
Adj Unlevered Free Cash Flow	**$202M**

Adj. Unlevered Free Cash Flow

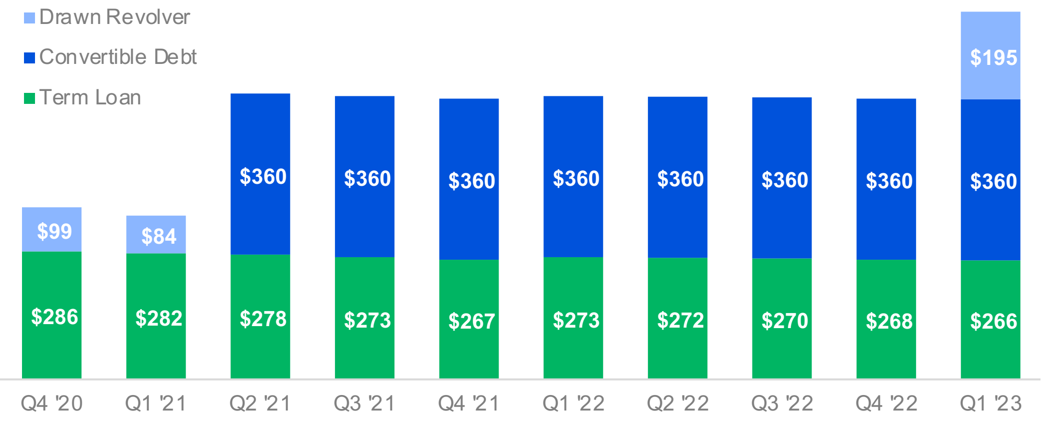


Debt Profile

Net Leverage Ratio



Debt Balance (USD$M)

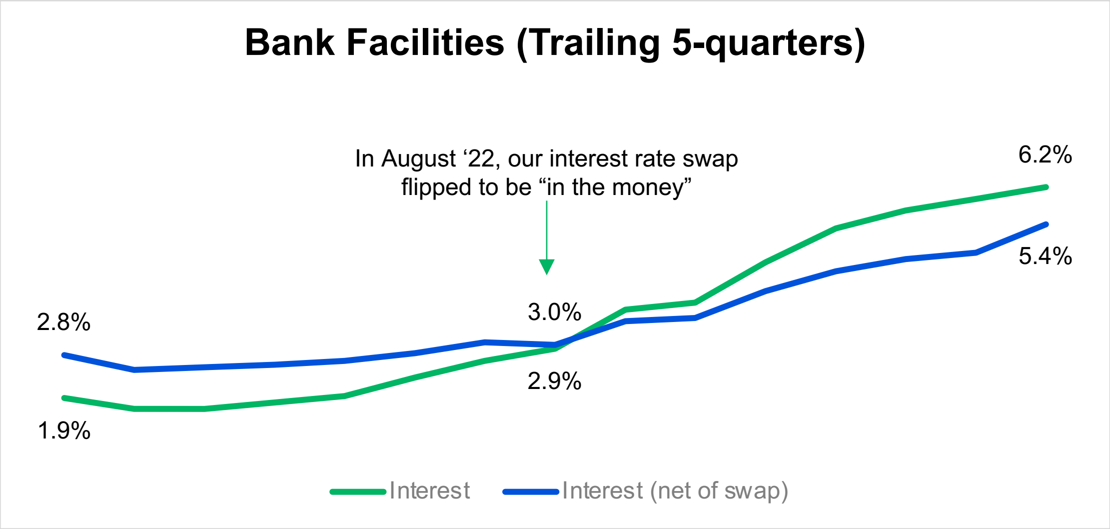


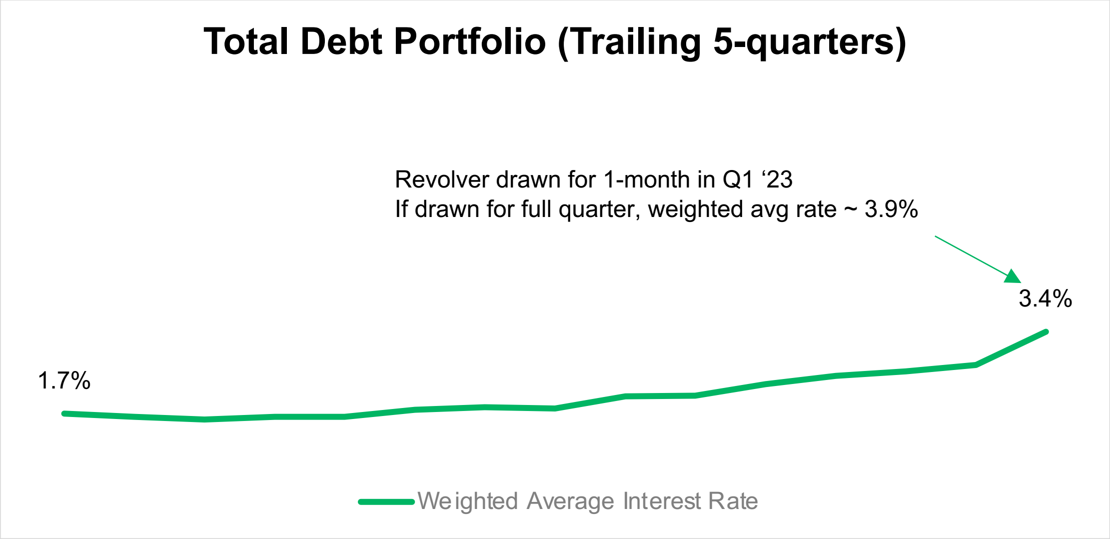
Progress

All financial results shown are on a non-GAAP basis.

Current Liquidity and Debt Profile

- Sufficient liquidity in place
- Interest rate swap expires in April 2024
- Future financing options will depend on deal size and timing



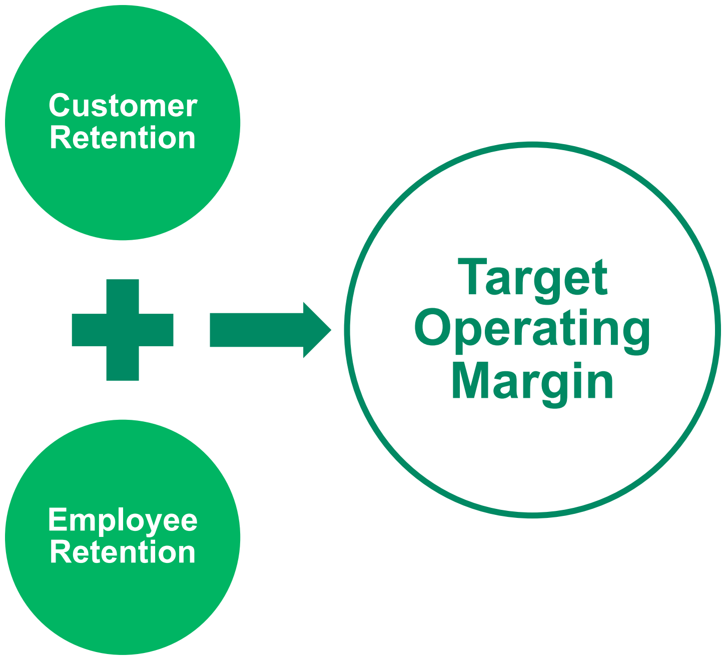


* Accordian capacity is the higher of $260M or 1X EBITDA and access requires pro forma compliance with leverage covenants

Progress

Long-Term Model Framework

Modeling Our Base Business



Acquisition Assumptions

Critical Factors	Considerations	Model Assumptions
Target Size	• Larger acquisition targets can result in higher leverage • Existing leverage and deal value (multiples) are critical determining factors in larger opportunities	**15% of revenues**
Target Multiple	• Purchase Price/Multiples really matter in our model • Revenue multiples and pro forma EBITDA multiples	**2.5X – 3.5X Revenue**
Interest Rates	• Rates influence PV of future cash flow and • PV of future cash flow influences return on invested capital	**6%**
WACC	• ROIC is driven off FCF ex-one-time costs • WACC is our hurdle rate	**~9% currently**
Synergies	• No top line synergies (cross sell, up sell or accelerating growth) • Synergies = expense synergies	**>40% margin**

Progress

Long-Term Model

($ In Millions)	FY '22	FY '23 FCST *	FY '28 Target
Revenue	$611	$684	$1,300 - $1,500
Operating Income	$242	$263	$500 - $600
As a % of Total Revenue	40%	38% - 39%	38% - 40%
Earnings Per Share	$4.13	$4.13	$7.50 - $9.00
Net Leverage Ratio	1.5X	2.2X	=< *3.5X throughout projection period*

All financial results shown are on a non-GAAP basis.
*Mid-point of guidance as of March 28, 2023

Progress

Summary

- Prudent capital allocation drives profitable growth and returns value to shareholders
- Discipline in our acquisition strategy focused on ROIC
- Efficient operating platform delivers best in class operating margins and provides landing spot for acquired businesses
- Investments in R&D to drive innovation and customer success
- Dedicated and engaged employees aligned to our mission and strategy

Progress®

Disclosure Slides

Safe Harbor/Forward Looking Statements

GAAP/non-GAAP Reconciliation

Forward Looking Statements

This presentation contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like “believe,” “may,” “could,” “would,” “might,” “should,” “expect,” “intend,” “plan,” “target,” “anticipate” and “continue,” the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this presentation include, but are not limited to, statements regarding Progress’s strategy; future revenue growth, operating margin and cost savings; strategic partnering and marketing initiatives; the timing of, or our ability to close, the MarkLogic acquisition or the results expected therefrom; and other statements regarding the future operation, direction, prospects and success of Progress’s business. There are a number of factors that could cause actual results or future events to differ materially from those anticipated by the forward-looking statements, including, without limitation: (i) economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price; (ii) our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses; (iii) we may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts; (iv) if the security measures for our software, services, other offerings or our internal information technology infrastructure are compromised or subject to a successful cyber-attack, or if our software offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure; (v) the timing of, or our ability to close, the proposed MarkLogic acquisition or the results expected therefrom; and (vi~~ii~~) risks related to the potential disruption of management’s attention due to the acquisition of MarkLogic. For further information regarding risks and uncertainties associated with our business, please refer to our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended November 30, 2022. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation.

Non-GAAP Financial Measures

We refer to certain non-GAAP financial measures in this presentation, including but not limited to, non-GAAP revenue, non-GAAP income from operations and operating margin, adjusted free cash flow, annual recurring revenue ("ARR"), Net Retention Rate ("NRR"), and non-GAAP diluted earnings per share. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles (“GAAP”). Please see "Important Information Regarding Non-GAAP Financial Information" below for additional information. A reconciliation between non-GAAP measures and the most directly comparable GAAP measures appears in our earnings press release for the fiscal quarter ended February 28, 2023, which is furnished on a Form 8-K concurrently with this presentation and is available in the Investor Relations section of our website.

Important Information Regarding Non-GAAP Financial Information

Progress furnishes certain non-GAAP supplemental information to its financial results. We use such non-GAAP financial measures to evaluate our period-over-period operating performance because our management team believes that by excluding the effects of certain GAAP-related items that in their opinion do not reflect the ordinary earnings of our operations, such information helps to illustrate underlying trends in our business and provides us with a more comparable measure of our continuing business, as well as greater understanding of the results from the primary operations of our business. Management also uses such non-GAAP financial measures to establish budgets and operational goals, evaluate performance, and allocate resources. In addition, the compensation of our executives and non-executive employees is based in part on the performance of our business as evaluated by such non-GAAP financial measures. We believe these non-GAAP financial measures enhance investors' overall understanding of our current financial performance and our prospects for the future by: (i) providing more transparency for certain financial measures, (ii) presenting disclosure that helps investors understand how we plan and measure the performance of our business, (iii) affords a view of our operating results that may be more easily compared to our peer companies, and (iv) enables investors to consider our operating results on both a GAAP and non-GAAP basis (including following the integration period of our prior and proposed acquisitions). However, this non-GAAP information is not in accordance with, or an alternative to, generally accepted accounting principles in the United States ("GAAP") and should be considered in conjunction with our GAAP results as the items excluded from the non-GAAP information may have a material impact on Progress' financial results. A reconciliation between non-GAAP measures and the most directly comparable GAAP measures appears in our earnings press release for the fiscal quarter ended February 28, 2023, which is furnished on a Form 8-K concurrently with this presentation and is available on the Progress website at www.progress.com within the investor relations section.

In this presentation, we may reference the following non-GAAP financial measures:

- Acquisition-related revenue - We include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would have been recognized prior to our adoption of Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08") during the fourth quarter of fiscal year 2021. The acquisition-related revenue in our results relates to Chef Software, Inc. and Ipswitch, Inc., which we acquired on October 5, 2020 and April 30, 2019, respectively. Since GAAP accounting required the elimination of this revenue prior to the adoption of ASU 2021-08, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Upon our adoption of ASU 2021-08, this adjustment is no longer applicable to subsequent acquisitions. The remaining adjustment is related to our acquisition of Chef and is expected to continue through the end of fiscal year 2023

- Amortization of acquired intangibles - We exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired. Adjustments include preliminary estimates relating to the valuation of intangible assets from MarkLogic Corporation ("MarkLogic"), which we acquired on February 7, 2023. The final amounts will not be available until the Company's internal procedures and reviews are completed.

- Stock-based compensation - We exclude stock-based compensation to be consistent with the way management and, in our view, the overall financial community evaluates our performance and the methods used by analysts to calculate consensus estimates. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans.

- Restructuring expenses - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results. Adjustments include preliminary estimates relating to restructuring expenses from MarkLogic. The final amounts will not be available until the Company's internal procedures and reviews are completed.

- Acquisition-related expenses - We exclude acquisition-related expenses in order to provide a more meaningful comparison of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.

Progress

Important Information Regarding Non-GAAP Financial Information

- Cyber incident - We exclude certain expenses resulting from the detection of irregular activity on certain portions of our corporate network, as more thoroughly described in the Form 8-K that we filed on December 19, 2022. Expenses include costs to investigate and remediate the cyber incident, as well as legal and other professional services related thereto. Cyber incident costs are provided net of expected insurance recoveries, although the timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses. Costs associated with the enhancement of our cybersecurity program are not included within this adjustment. We expect to incur legal and other professional services expenses associated with this incident in future periods. The cyber incident is expected to result in operating expenses that would not have otherwise been incurred in the normal course of business operations. We believe that excluding these costs facilitates a more meaningful evaluation of our operating performance and comparisons to our past operating performance.

- Provision for income taxes - We adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

- Constant Currency - Revenue from our international operations has historically represented a substantial portion of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. As exchange rates are an important factor in understanding period-to-period comparisons, we present revenue growth rates on a constant currency basis, which helps improve the understanding of our revenue results and our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP.

- Annual Recurring Revenue (“ARR”) and Net Retention Rate (“NRR”) - We provide ARR and NRR performance metrics to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources has increased in recent years. ARR represents the annualized contract value for all active and contractually binding term-based contracts at the end of a reporting period. ARR includes maintenance, software upgrade rights, public cloud and on-premises subscription-based transactions and managed services. NRR represents the percentage of recurring revenue retained from existing customers on a trailing twelve-month basis. Progress calculates NRR using the beginning ARR less churn, less customer contracts that have declined in value, plus customer contracts that have increased in value, the sum of which is divided by the beginning ARR. ARR and NRR do not have any standardized meaning and are therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR and NRR should be viewed independently of revenue and deferred revenue and is not intended to be combined with, or to replace, either of those items. ARR and NRR are not a forecast and the active contracts at the end of a reporting period used in calculating ARR and NRR may or may not be extended or renewed by our customers.

- We also provide guidance on adjusted free cash flow, which is equal to cash flows from operating activities less purchases of property and equipment, plus restructuring payments.